



## The Influence of Management on Quality of the Annual Report of Public Institution

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The annual report is made of business and financial part, containing the financial statements with annexes and notes. Public Library in Slovenia is a separate legal entity of public law in the field of cultural activities, which acts as a public institution when it carries out library activities for at least 10.000 inhabitants. Annual reports are one of the key instruments for the implementation of the responsibilities of the management and represent a mechanism whereby the public sector is accountable for responsible and economical use of public funds (Odainkey and Simpson 2013, 4). The quality of annual report of public institution is affected by different influential factors. Namely, in the preparation and supervision of the annual report the main support to the management are the accountant and internal auditor. Management of public institution prepares the business part of the annual report and it is legally responsible for financial report and for the establishment of internal audit, however accountant prepares the financial part of the annual report. According to Dehaan et al. (2013, 1027) the auditing process is associated with the control of public law entities and affect on the improvement of reporting and therefore on the quality of annual reports. For these purpose we decided to research three influential factors of quality of public libraries' annual reports: (1) whether the participation of the management of the public library in preparing the annual report affects the quality of the annual report; (2) whether the educational level of accountant affects the quality of the annual report and (3) whether the internal audit of the annual report quality is an often used form of internal control in public libraries. The quality of the annual report has been defined as a compatibility of the annual report content with the regulations in 2013. We sent a questionnaire to all 58 libraries registered in Slovenia, to which has been fully responded by 51 libraries.

We find out with the empirical research, that annual reports are more consistent in those public libraries, where the educational structure of accountants is level VII/1 (high school) or higher (the value of Mann-Whitney U test is 44,500,  $p=0,001$ , significance is less than 5%). The findings also shows that the content of the annual report is more consistent in those public libraries, where the management participates in its preparation (the value of Spearman Coefficient is 0,492,  $p = 0,0001$ , significance is less than 5%). We also empirically improved that, in more than a half of public libraries internal audit of consistency of annual reports with directions of the regulations wasn't yet performed (value of Chi-square test is 24,020,  $p < 0,05$ ).

We suggest a uniform draft of the annual report content for public libraries as a tool for achieving greater consistency of annual reports with regulations and quality of annual reporting. We also suggest that the management of libraries supervise the annual reports' quality through internal audit of these reports and cooperation with the accountant.

*Keywords:* annual report, public libraries, management, accounting, auditing

### *References*

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